

Message Text

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EUR-08 L-01 H-02 INR-05 PM-03

PRS-01 SP-02 CIAE-00 DODE-00 NSC-05 NSCE-00 OMB-01

TRSE-00 SAM-01 OES-02 USIA-01 /054 W

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P R 240905Z SEP 75

FM AMEMBASSY DOHA

TO SECSTATE WASHDC PRIORITY 0877

INFO AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

C O N F I D E N T I A L DOHA 1110

LIMDIS

.O. 11652: GDS

TAGS: ENRG, QA

SUBJ: CAYMAN PURCHASE CONTRACT

REF: A. DOHA 1025; B. DOHA 0965

1. ARTICLE IN SEPT 15 ISSUE OF PIW ENTITLED "QATAR USES GUNBOAT TO BLOCK OIL SALE AT DISCOUNT" PROVIDED ACCOUNT OF NON-PROGRESS OF LIFTINGS BY CAYMAN PETROLEUM MARKETING CORP. ARTICLE STATED TWO LOADED TANKERS WERE BEING PREVENTED FROM SAILING PENDING FULL PAYMENT FOR OIL AND WENT ON TO SURMISE THAT OIL WAS BEING SOLD AT DISCOUNTED PRICE.

2. SEPT 22 PIW CARRIED SUBSTANCE OF STATEMENT GIVEN TO PIW BY CAYMAN PETROLEUM OBJECTING TO SEPT 15 STORY AND STATING CONFIDENTIAL

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THAT FIRM BELIEVED INFORMATION IN ARTICLE HAD BEEN PROVIDED

BY PARTIES ATTEMPTING TO INDUCE QATAR "TO BREAK OFF ITS CONTRACTUAL OBLIGATION WITH CAYMAN" FOR PURPOSE OF MONOPOLIZING QATARI OIL MARKET. STATEMENT AS QUOTED IN PIW ALSO SAYS "IT IS PARTICULARLY DISTRESSING THAT THE ARTICLE IMPLIES THAT QATAR IS OR MAY BE INVOLVED IN SALE OF ITS OIL AT DISCOUNTED PRICES. THIS IS ABSOLUTELY FALSE." STATEMENT NOTED THAT FIRM IS BASED IN BERMUDA AND NOT RPT NOT US COMPANY.

3. AS WE UNDERSTAND SITUATION, SEPT 15 PIW ARTICLE IS BASICALLY CORRECT. REF A REPORTED THAT GOQ HAD LOADED TANKERS BUT WOULD NOT PERMIT THEM TO SAIL UNTIL CAYMAN PROVIDED PERFORMANCE BOND. IN MEETING WITH EMBOFFS LAST WEEK, DIRECTOR OF PETROLEUM AFFAIRS ALI JAIDAH STATED THINGS ARE BASICALLY THE SAME: SHIPS ARE STILL IN PORT AND CAYMAN IS STILL \$4 MILLION SHORT ON \$37 MILLION PERFORMANCE BOND. JAIDAH WAS OBVIOUSLY UNHAPPY ABOUT SITUATION WHICH IS BEGINNING TO ASSUME COMIC OPERA PROPORTIONS. HE STATED THAT "SOMETHING MUST BE DONE" BUT DID NOT SPECULATE ON OPTIONS. MINISTER OF FINANCE AND PETROLEUM SHAYKH ABDUL AZIZ BIN KHALIFA AL THANI SIGNED CONTRACT WITH CAYMAN AND IT IS LIKELY THAT ANY FURTHER ACTION WILL HAVE TO AWAIT HIS RETURN FROM VIENNA OPEC CONFERENCE.

4. CONCERNING GUNBOAT BLOCKADE OF TANKERS, BRITISH AMBASSADOR TOLD CHARGE' THAT THIS IS INDEED CASE. AMBASSADOR WAS CONCERNED BECAUSE BOATS ARE MANNED BY BRITISH OFFICERS. WE HAVE ALSO BEEN INFORMED BY BRITISH GROUP COMMANDER IN QATARI AIR FORCE THAT AIR FORCE HAS ORDERS TO KEEP SHIPS FROM LEAVING, BY FORCE IF NECESSARY.

5. RE CAYMAN'S PROTESTATIONS THAT NO DISCOUNT WAS INVOLVED IN CRUDE SALE, WE PREVIOUSLY INFORMED BY CAYMAN PRESIDENT HIMSELF THAT ALTHOUGH CONTRACT STIPULATES PAYMENT AT 93 PERCENT OF POSTED PRICE, CAYMAN WOULD ACTUALLY RECEIVE DISCOUNT OF \$.37 PER BARREL FOR DUKHAN CRUDE (\$10.80 PER BARREL COST INSTEAD OF POSTED PRICE OF \$11.17) AND DISCOUNT OF \$.18 ON MARINE CRUDE (\$10.62 INSTEAD OF \$10.80). THIS WAS REPORTED IN REF B. AS NOTED REF B, THIS INFORMATION CONSIDERED EXTREMELY SENSITIVE AND MUST NOT RPT NOT BE RELEASED OUTSIDE USG.

6. IT PREVAILING OPINION AMONG GOQ PETROLEUM OFFICIALS THAT
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CAYMAN HAS NO HOPE OF RAISING FULL AMOUNT OF PERFORMANCE BOND AND THAT DEAL SHOULD BE CANCELLED. (OFFICIAL AT SHELL HAS INFORMED US THAT GOQ HAS INQUIRED ABOUT TECHNICAL DIFFICULTIES OF PUMPING OIL FROM SHIPS BACK INTO STORAGE TANKS. SOURCE SAID THIS CAN BE DONE.) UNDERLYING THIS BELIEF IS SENTIMENT THAT CONTRACT SHOULD NEVER HAVE BEEN SIGNED IN FIRST PLACE. ABDUL AZIZ CONCLUDED AGREEMENT WITHOUT CONSULTING ANY OF HIS PETROLEUM ADVISORS AND APPARENTLY WITHOUT MAKING ANY EFFORT

TO CHECK ON BONA FIDES OF CAYMAN. IT INCREASINGLY LIKELY THAT DEAL WILL COLLAPSE, TAKING WITH IT A CONSIDERABLE AMOUNT OF ABDUL AZIZ' PRESTIGE. AS REPORTED DOHA 1103, THERE ARE RUMORS THAT HIS CHANCES FOR BEING NAMED CROWN PRINCE ARE ON DECLINE. IF TRUE, THE CAYMAN FIASCO WILL SURELY HAVE BEEN A CONTRIBUTING FACTOR.

7. BRITISH EMBASSY CALLED TO SAY THEY HAVE HEARD LATEST EDITION OF EITHER TIME OR NEWSWEEK IS CARRYING STORY ON CAYMAN DEAL. THERE IS NO REFERENCE TO CAYMAN IN SEPT 22 ISSUE OF TIME BUT WE HAVE NOT SEEN LATEST NEWSWEEK. DURING SAME CALL, BRITISH EMBASSY SAID THAT IT HAD LEARNED THAT THE SPANISH TANKER IN THE CAYMAN AFFAIR HAS AGREED TO HAVE THE OIL REMOVED FROM ITS VESSEL SO THAT IT COULD LEAVE, THE REASON BEING SPANISH SHIP HAS RUN OUT OF WATER AND FOOD ETC AND CONDITIONS ABOARD IT WERE BECOMING IMPOSSIBLE. THE JAPANESE VESSEL IS SUPPOSED TO BE IN MUCH BETTER SHAPE AND IS THE REASON WHY THE JAPANESE VESSEL IS HOLDING OUT AND IS CLAIMING A STAKE IN OIL LOADED ON ITS VESSEL AS DEMURRAGE CHARGES.
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